

Carphone warehouse

Business



Carphone Warehouse competes with its main competitors through advertisement, not only does CPW have very memorable advertisements they also sponsor the most watched reality television show in the U. K Big Brother. Carphone Warehouse also has a lot of great deals and has won a lot of awards for being such a successful company.

Factors Of Location

If Carphone Warehouse was considering opening a new store, they would have to take into account many factors of location. Carphone Warehouse would want to open a store with good transport links, if they decided to open a new store it would be close to a main road or it would be on a bus or train route, this is so any customer would be able to get to this store relatively easily. The cost of premises or land is a huge factor to consider as Carphone Warehouse would not be able to afford to buy a store if it was too expensive, so Carphone Warehouse would either decide to open their store somewhere else or to buy a smaller plot of land to locate their new store.

The cost of labour is also a major factor when considering opening a new store, if Carphone Warehouse decided to locate themselves near a housing estate there would be a good chance of a lot of job applications as there may be many people who are unemployed in the area however with the large amount of unemployment in an area such as this they would not be able to afford to buy any products from Carphone Warehouse, so this would also be a factor for Carphone Warehouse to look at.

The local government charges are also a key factor when looking to open a new store, because if the charges are too high Carphone Warehouse would

not make as much of a profit if they were paying too much on government charges, all of these factors are very important when looking into buying a plot of land to open a retail outlet.

Economic Conditions

However well a business manages its own activities, its success will depend on conditions in the economy as a whole.

Interest Rates

If interest rates are high Carphone Warehouse would have to sell a lot more products to make up for the high amounts of money that they are paying back to the bank. If interest rates are low Carphone Warehouse can lower the price of their products as they would not need to pay as much money to the bank. This proves that Carphone Warehouse would prefer low interest rates, because the lower prices would mean that more people would buy products from Carphone Warehouse meaning that they would get more money and they would not have to pay back as much money to the bank which means that Carphone Warehouse would overall have a higher profit. When interest rates are low customers of Carphone Warehouse are more likely to buy products from Carphone Warehouse because they would not have to pay as much back to their bank. If interest rates are low customers would have more money to spend.

If interest rates go down customers of Carphone Warehouse would not have to spend as much on their mortgage giving them a lot more money to spend on new mobile phones, meaning Carphone Warehouse would get more

money from their customers. If interest rates go up customers would be spending more on their mortgage meaning that they cannot afford one of the latest mobiles, meaning that Carphone Warehouse would not get so much money, therefore Carphone Warehouse would prefer for interest rates to be lower.

Exchange Rates

Carphone Warehouse definitely buys some of their goods from abroad; mobile phones are usually made in the Far East in countries such as China or Taiwan, some of the items Carphone Warehouse may import from other countries would be the Sony PSP, Mobile Phones, MP3 Players and Apple iPods. If the exchange rate is low this means that Carphone Warehouse will have to spend less money on the same products meaning they can then sell these products on for less money, so more customers can afford this showing that Carphone Warehouse prefers exchange rates to be low. If exchange rates are high Carphone Warehouse has to pay a lot more for the exact same thing, meaning they would have to raise the price of the product, this means not as many people would buy the product causing Carphone Warehouse to lose money.

Carphone Warehouse benefits if the pound is strong, if the pound is strong it is worth more in Europe this means that if you buy something from Europe you do not have to pay as much for the same product, meaning they can sell that product for less in England, this means they will sell more of this product, this proves that Carphone Warehouse prefers the pound to be strong. If the pound is weak Carphone Warehouse will not get as many Euros

with each pound meaning they will have to spend more money on each product, this means they will need to raise the price of the same product to get their money back, this means not as many people will buy the more expensive product causing Carphone Warehouse to lose money.

Interest Rates

If there is a fall in interest rates, Carphone Warehouse would have a bigger loan because they would not have to pay as much back, if interest rates are high Carphone Warehouse may decide to wait for interest rates to go down before borrowing money from their bank, if they desperately need the money then Carphone Warehouse would probably only borrow a small amount of money to last them until the interest rates drop again before they increase their loan at a lower rate.

If Carphone Warehouse would like to expand, and build more stores, they would choose to build the new stores when interest rates are low so they don't have to pay back as much money. Carphone Warehouse would decide not to expand if interest rates are high as they would have to spend a lot more money paying back the loan, money that could be spent on hiring new employees and buying new products.

Exchange Rates

If the exchange rate is low, this means that you will get more euros for the pound; this means that the same product will cost less, Carphone Warehouse will buy in bulk because the exchange rate is low meaning they are not paying a lot for the same mobile phones. When the exchange rate is high

Carphone Warehouse will get less euros for each pound, this means they will not buy as many products because if they did they would have to raise the price, raising the price means that customers would not buy the mobile, this means that Carphone Warehouse would lose money.

Environmental Constraints

There are many environmental Laws that affect the running of a business.

Carphone Warehouse is fully committed to assessing, monitoring and minimising the impact of our activities upon the environment. During 2004 CPW launched a major handset-recycling scheme this helped the estimated 2.8 million redundant handsets in the UK going into landfill. In addition to reducing environmental impact CPW hope to carry on raising substantial funds for a new partner charity as well as continuing providing finance for smaller charities and projects that directly affect the lives of the employees at Carphone Warehouse stores across the globe.

The Waste Electrical and Electronic Equipment Directive ('WEEE Directive') came into force on 13 August 2004 and since then CPW has been required to comply with the obligations imposed on them by the WEEE Directive.

The location of Carphone Warehouse is an advantage in dealing with these external influences, as they locate in places where they are sure to increase their profit margin by a maximum amount.

I think that Carphone Warehouse has responded very well to its competitors, its economic conditions and the environmental constraints put upon the business as the cost of shares has almost doubled in the last year, which <https://assignbuster.com/carphone-warehouse/>

means that Carphone Warehouse must be an extremely successful business, therefore they must make a large profit, this means that even with the strain of competition, economic conditions and environmental constraints CPW has managed to come out as a successful business achieving a high profit. This is definitely because of where each Carphone Warehouse is located, as the owners of CPW have decided to locate their stores in the perfect places across the globe; this is shown by the cost per share in Carphone Warehouse.